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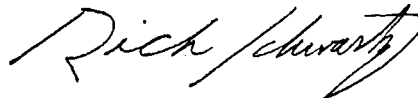
Re: Molycorp, Inc. Questa, New Mexico

Dear Mike:

By now you have probably received a copy of the Red River "background study" by the University of New Mexico. That report was edited -- apparently extensively -- by the New Mexico Natural Resources Trustee, Mr. William Turner, who ordered that all drafts of the report be destroyed. Enclosed is a copy of the letter from David Shoemaker reprinted in the October 24, 1999 edition of the Albuquerque Journal North that responds to a newspaper account about this background study. Molycorp believes that the report's conclusions are not supported by the evidence.

Please call if you would like any additional information.

Sincerely,



Richard E. Schwartz

Enclosure

cc: Mr. David R. Shoemaker
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Molycorp Official: Study Shows No Harm

I WANTED TO SET the record straight concerning the conclusions of a recent report about the environmental impact of Molycorp's Questa mine which were described in the Albuquerque Journal North ("Mine Linked to Metals in the Red River," Oct. 20).

The omission of key facts left a serious imbalance in the article. The key facts are these: At a recent meeting I attended with Bill Turner, the Office of the Natural Resources Trustee, he admitted he was having the report rewritten, and that he had ordered that all drafts be destroyed. The conclusions in the report are not supported by the field data collected by Bureau of Mines and Mineral Resources and the University of New Mexico. Finally, Turner has ignored two recent studies that show there is no impact to the environment by the mine.

Once Molycorp was aware a report was being prepared by the BMR and UNM for Turner, Molycorp requested access to the report — over six months ago.

- Turner refused Molycorp's request.
- Subsequently, Molycorp filed a request with the 8th Judicial District Court to inspect the report.
- Once again Turner refused access and as stated above, ordered that all the drafts be destroyed.

The first study ignored by Turner is part of ongoing research on the biological condition of the river. This research has been done on an annual basis for the past several years. This year's research has been incorporated by the New Mexico Environmental Department into the Total Maximum Daily Loading process begun on the Red River. The second study began this summer with the drilling of nine holes into the waste rock piles for physical and chemical characterization. This study is being performed with oversight by the NMED.

- The main conclusion of the first study is that conditions in the river are similar to pre-mining conditions.

- The native fish population and distribution in the river, based on actual "fish and bug" counts, have not changed as the result of the mine operations.

- The drilling shows that the base of the waste rock piles are dry, therefore there is no acid rock drainage.

- The study concludes that because of the way the waste rock piles are constructed, there is substantial upward air movement through the piles creating a drying condition.

To my knowledge there are no otter anywhere in the northern Rio Grande Basin. However, directly below the mine there are many active beaver colonies on the Red River.

David R. Shoemaker
General Manager, Molybdenum Group, Molycorp Inc.

Albuquerque Journal North 10/24/99